REMARKS

The examiner provisionally rejected Claims 1-12 on the ground of non-statutory obviousness type double patenting as being unpatentable over claims 1-12, respectively of co-pending Application No. 10/077,182.

Claim 1 is directed to

> 1. (Original) A method of producing shares of a first fund that is traded on a first marketplace, the method comprising:
>
> delivering by a market participant to an agent for the first fund, a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund; and
>
> delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second, number of shares in the second fund to account for cash that is owed by the agent to the participant.

Claim 1 of the co-pending application is directed to:

> 1. A method of producing a financial product that is traded on a first marketplace, comprising:
>
> exchanging between a market participant and an agent a creation unit basket of securities for the first fund traded for a prescribed number of shares in the first fund, which has a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund; and
>
> delivering by either the agent or market participant a number of shares in the second fund or in other securities to account for any "cash amount" that may be owed between the agent and the participant as a result of the exchange of the creation unit basket of securities for the shares in the first fund.

Claim 1 of the instant case in not an obvious variant of claim 1 in the co-pending application since in the co-pending application delivering a number of shares in the second fund

to account for any "cash amount" is allowed by either the agent or market participant and in addition the option is offered to delivery of other securities.

Claim Rejections - 35 U.S.C. §112

The examiner rejected Claims 1-12 under 35 U.S.C. 112, second paragraph, as being indefinite for failing to particularly point out and distinctly claim the subject matter which applicant regards as the invention.

The examiner stated:

> **Claim 1 is rejected under 35 U.S.C. 112, second paragraph, as being incomplete for omitting essential steps, such omission amounting to a gap between the steps. See MPEP § 2172.01. The omitted steps are: how is the financial product produced?**

Claim 1 recites the features needed to distinguish over the cited art, namely, delivering by a market participant to an agent for the first fund, a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund and delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities … .

Any other steps omitted are either conventional or not needed to define the subject matter of the invention. The feature of delivering … a second, number of shares in the second fund to account for cash that is owed by the agent to the participant," is a feature specifically recited in the claims. The examiner has not furnished any prior art requiring Applicant to narrow the scope of this or any other feature.

Accordingly, claim 1 is complete. Similar claims 2-12 are complete.

The examiner also argued that:

> **The term "substantially" in claims 1, 7 and 12 is a relative term which renders the claim indefinite. The term "substantially" is not defined by the claim, the specification does not provide a standard for ascertaining the requisite degree, and one of ordinary skill in the art would not be reasonably apprised of the scope of the invention. How is "substantially the same basis" measured?**

The use of the term substantially in claims 1, 7 and 12 does not render these claims indefinite, since one skilled in the art would understand that "having a basis that is substantially the same basis" merely offers the feature with a degree of tolerance, e.g., akin to "about." The term could be ascertained by one skilled in the art using guidance offered by applicant's specification. Indeed, for an exact arbitrage the creation units in the funds in general would need to be identical. One skilled in the art could depart from identical creation unit basis according to the degree that one would desire to depart from the exactness of arbitrage between the two funds.

The examiner also stated that: "The term "may be" in claims 2, 4 and 8 is indefinite. Is the cash required or not?" Claims 2, 4 and 8 have been amended.

The examiner also stated that:

> **Claims 3 and 9 recite conditional language (i.e., "wherein if the cash is a positive amount the agent....") without sufficiently providing one of ordinary skill instructions for proceeding in the event that the condition fails. What happens if the cash is a negative amount? The claim also expresses discretionary language (i.e., "the agent at its option"). Thus, giving the claims their broadest reasonable interpretation there is not a positive limitation or requirement that anything is done. See MPEP §2111.**

Claim 3 and claim 9 were amended to clarify that if the calculated cash is a positive amount that is owed by the agent to the participant, the agent at its option can issue shares in the second country fund in lieu of cash. Claim 3 is definite since it clearly points out a feature of the invention and one skilled in the art can readily ascertain the bounds of the feature. What happens if the condition fails is not germane to permit the skilled person to understand claim 3. Moreover, claim 3 depends from claim 2, which sets forth calculating the amount of cash needed to be exchanged between agent and the participant … . Thus, claim 2 implicitly recites what happens if the condition is not satisfied. In the envisioned embodiment, the agent has the option of delivering shares, whereas if the condition is not satisfied, namely that the cash is owed by the market participant, the market participant according to claim 2 delivers cash.

The examiner stated that the term "small amount" in claims 4 and 10 was a relative term rendering the claim indefinite. Applicant has amended claims 4 and 10.

Accordingly, in view of the above amendments and remarks claims 1-12 and the newly added claims 13-16 are proper under 35 U.S.C. 112, second paragraph.

Claim Rejections - 35 U.S.C. §103

The examiner rejected claims 1-12 under 35 U.S.C. 103(a) as being unpatentable over Gastineau, US Pub. No. 2001/0025266 in view of "Exchange traded funds—the wave of the future?," by Stuart M. Strauss.

The examiner stated:

> **Re Claim 1: Gastineau discloses a method of producing shares of a first fund that is traded on a first marketplace, the method comprising:**
>
> **delivering by a market participant to an agent for the first fund, a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund (Gastineau, [0001] [0002] [0003] [0004]).**
>
> **Gastineau fails to explicitly disclose:**
>
> **delivering a prescribed number of shares in the first fund to the market participant. In exchange for the creation unit basket of securities and a second, number of shares in the second fund to account for cash that is owed by the agent to the participant.**
>
> **Strauss discloses:**
>
> **delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second, number of shares in the second fund to account for cash that is owed by the agent to the participant (Strauss, pgs. 1-3).**
>
> **It would have been obvious to one of ordinary skill in the art at the time the invention was made to modify the teachings of Gastineau by adopting the teachings of Strauss to provide a method further comprising delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second, number of shares in the second fund to account for cash that is owed by the agent to the participant.**
>
> **As suggested by Strauss one would have been motivated to ensure that shares are purchased at NAV.**

Claim 1 is neither described nor suggested by any combination of Gastineau and Strauss, since no combination of these references suggests delivering … a creation unit basket of securities having a basis that is substantially the same basis as a creation unit basis for a second fund that is traded on a second marketplace in a different country than that of the first fund and delivering … a second, number of shares in the second fund to account for cash that is owed by the agent to the participant.

The examiner uses Gastineau to teach the feature of delivering. However, no such teaching is found in Gastineau. Rather, in the passages cited by the examiner, Gastineau describes a SPDR, a depository trading receipt based on the S&P 500 stock index. However, nowhere in those passages or elsewhere in Gastineau is there described both the first fund and

the second fund that is traded on a second marketplace in a different country than that of the first fund.

Gastineau describes a technique to produce a hedge basket of securities when trading actively managed funds. However, the hedge basket does not possess the features of trading in a different country than the actively managed fund nor having the same or substantially the same creation unit basis.

Strauss neither describes nor suggests the feature of delivering a prescribed number of shares in the first fund to the market participant, in exchange for the creation unit basket of securities and a second, number of shares in the second fund to account for cash that is owed by the agent to the participant.

Rather, Strauss describes the conventional approach in which cash is delivered to account for dividends etc. For instance, Strauss describes on page 3,

> **A small cash payment (Cash Component) generally must also be made. The list of the names and number of shares of the Deposit Securities on a particular trading day is made available daily to market participants prior to the opening of trading by the trustee (in the case of a UIT), or investment advisor or custodian (in the case of a managed fund), typically through the facilities of the National Securities Clearing Corporation (NSCC).[6] The Cash Component is an amount equal to the Dividend Equivalent Payment (as defined below) plus or minus a balancing amount intended to insure that (consistent with Rule 22c-1 under the Investment Company Act of 1940) shares are purchased at NAV next calculated following receipt of the purchase order in proper form.[7] The Dividend Equivalent Payment is an amount intended to enable an ETF to make a distribution of dividends on the next payment date as if all of the ETF's portfolio securities had been held for the entire dividend period. (Footnotes omitted).**

Strauss neither describes nor suggests the first and the second funds traded in different countries, nor does Strauss describe delivering … and a second, number of shares in the second fund to account for cash that is owed by the agent to the participant.

While Applicant notes that Strauss does describe delivering a prescribed number of shares in exchange for the creation unit basket of securities, Strauss also clearly describes that cash is exchange along with the shares, not "a second, number of shares in the second fund to account for cash that is owed by the agent to the participant."

Claim 7 is allowable over Gastineau taken separately or in combination with Strauss for analogous reasons as those given in claim 1, namely that no combination of these references

suggests a computer program product … for administrating a first financial product that has shares traded in a first marketplace the first financial product based on a creation unit basket of securities having a basis that is substantially the same basis as the creation unit basis for a second financial product that has shares traded on a second marketplace in a different country… including instructions to determine a second, number of shares in the second fund to account for cash that is owed … .

In addition the examiner argues that:

> **Intended Use: The claim makes several Intended use statements which do not carry patentable weight (i.e., "a computer program product residing on a computer readable medium for"; "instructions for"). What follows the statement of Intended use (i.e., "for") does not carry patentable weight. The claimed invention must result in a structural difference between the claimed Invention and the prior art In order to patentably distinguish the claimed invention from the prior art. If the prior art structure is capable of performing the Intended use, then It meets the claim.**

Applicant directs the examiner's attention to *In re Lowry*, 32 F.3d 1579, 32 USPQ2d 1031 (Fed. Cir. 1994) and the Federal Circuit's dismissal of an appeal in *In re Beauregard*, 53 F.3d 1583, 35 U.S.P.Q.2d 1383 (Fed Cir. 1995), in lieu of the patent office's adoption of guidelines to examination of computer related inventions, clearly sanctioning the use of so called Beauregard claims.

Instructions to … determine a second, number of shares in the second fund to account for cash that is owed by the agent to the participant to allow the agent to deliver second, number of shares in the second fund in lieu of the cash and a prescribed number of shares in the first fund to the market participant in exchange for the creation unit basket is not a statement of intended use, but rather recites a structural limitation on the computer readable medium that distinguishes that computer readable medium from other computer readable mediums. *Lowry*, 32 F.3d at 1583.

Accordingly the examiner must give patentable weight to all of the features recited in the claims, and therefore no combination of Gastineau with Strauss suggests the claimed computer program product … since neither reference teaches the features in the claim.

Claim 12 is allowable over Gastineau and Strauss for analogous reasons given in claim 7.

Claims 2 and 8 are allowable over Gastineau in view of Strauss for the reasons discussed in their base claims.

Claims 3 and 9

Claim 3, for example, is allowable over the combination of references since no combination of those references allows the agent at its option to issue shares in the second country fund in lieu of cash.

Claims 4 and 10

Claim 4, for example, is allowable since no combination of the references suggests that the amount of cash equates values of the first country shares to values of the second country shares.

Claims 5, 6 and 11

These claims are distinguished over Gastineau in view of Strauss since no combination suggests, for example, that the agent sets a maximum cash amount that it will give to participants (claim 5) or that transactions that exceed the maximum amount will result in issuance of the second country fund shares along with the prescribed amount of first country shares (claim 6). There is no other option for the agent or the participant but to exchange cash in the process of creation of SPDR's as disclosed by Strauss or the combined teachings of Gastineau and Strauss.

The prior art made of record and not relied upon neither describes nor suggests Applicant's invention whether taken separately or in combination with the art of record.

Enclosed is an Information Disclosure Statement. The references on this statement, whether taken separately or in combination with the art of record, neither describe nor suggest the features of Applicant's claims.

Newly added claim 13-17 are allowable for analogous reasons as those given in their respective analogous claims.

Newly added claim 18 directed to a computer program product is allowable at least because it includes instructions to … determine a number of shares in the second exchange-traded fund to account for cash that is owed by the agent to the participant to allow the agent to deliver the second, number of shares in the second exchange-traded fund in lieu of the cash … .

Claims 19-22 are allowable at least for the reason that they depend directly or indirectly on claim 18.

Newly added claim 23 directed to a method for administrating a first exchange-traded fund is allowable at least because it includes … determining a number of shares in the second exchange-traded fund to deliver to the participant to account for cash that is owed by the agent to the participant to allow the agent to deliver the second, number of shares in the second exchange-traded fund in lieu of the cash.

Claims 24-26 are allowable at least for the reason that they depend directly or indirectly on claim 23.

Please charge the excess claims fee of **$700** to deposit account 06-1050. Please apply any other charges or credits to deposit account 06-1050.

Respectfully submitted,

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